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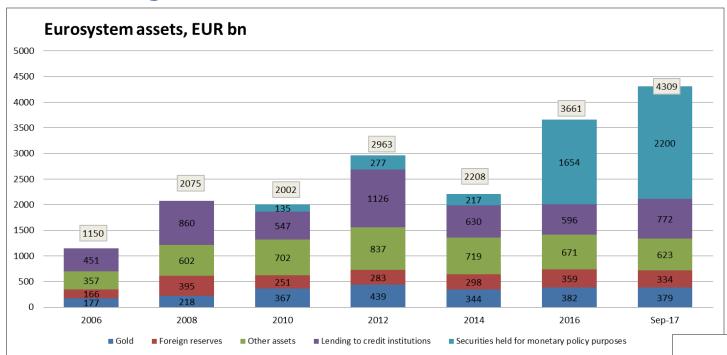
Risk considerations in monetary policy decision making in crisis times

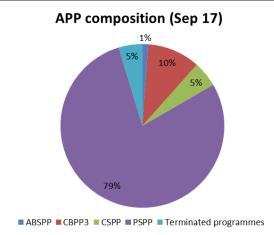
2017 Joint BdP-ECB Conference on Risk Management for Central Banks Banco de Portugal, 25-26 September 2017

Outline

- 1 Eurosystem balance sheet and the ECB's monetary policy tools
- 2 Principles of ECB's risk management in crisis times
- 3 ECB's risk management in crisis times
- 4 Lessons learnt from a risk management perspective

Eurosystem's balance sheet expanded over the recent years...





... but the principles of ECB's risk management continue to hold also during crisis times



Risk appetite

Risk capacity

Safe-guarding the ECB's financial independence, its credibility and reputation

The Asset Purchase Programmes warrant appropriate and consistent risk assessment and monitoring

Risk assessment

Initial due diligence

Risk monitoring

- Monitoring over time of the entire eligible universe
- Corporate events
- Rating agencies actions
- Regular reassessment
- Compliance with limit framework

Monitoring of purchase prices

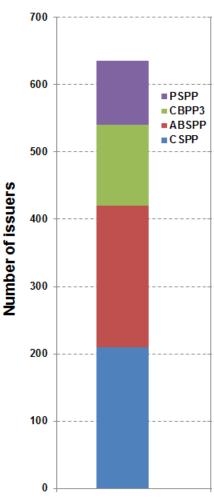
Monitoring and comparison of purchase prices with market prices



Data intensive

Process intensive

Human resources intensive



Principle-based and consistent risk management supports monetary policies in crisis times

Eurosystem risk framework is designed for both normal and crises situations (e.g. by avoiding pro-cyclicality)

Risks need to be assessed consistently without relaxing standards or equal treatment principles during crises

In purchase programmes, risk management helps to limit market distortions and idiosyncratic risks

New risk assessment capabilities need to be build up as balance sheets grow (e.g. for credit assessment)

Prepare for crises situations upfront by investing in the risk management framework and infrastructure

In crises times, risk management enables decision-makers to achieve policy objectives at the lowest costs in terms of risk